



Cabinet Office

SOCIAL ENTERPRISE: MARKET TRENDS

Based upon the BIS Small Business
Survey 2014

11th March 2016

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1. Executive Summary

Introduction

The Cabinet Office (CO) has produced this report based on 2014 Small Business Survey (SBS) data, gathered through a telephone survey of business owners and managers in the UK, commissioned by the Department for Business, Innovation and Skills (BIS). The report aims to inform social investors, government departments and other key stakeholders about the key characteristics of social enterprises in 2014. It is also intended to inform social enterprises themselves, and those in the wider voluntary and community sector.

This report is unique in its ability to draw comparisons with other small and medium-sized enterprises (SMEs) from the same sample. As such it is highly valuable to policymakers wishing to understand what makes social enterprises different and how best to target policy.

The report focuses on a range of characteristics and experiences of social enterprises including: the number of social enterprises and their contribution to the economy; their profiles and current business performance; their perceptions on potential obstacles to success; the types of business support they receive; and their main types of customer. In analysing the Small Business Survey dataset, several survey questions were used to distinguish social enterprises from the general SME business population. The criteria applied for an SME to be classed as a social enterprise are:

- the enterprise must consider itself to be a social enterprise;
- it must not pay more than 50% of profit or surplus to owners or shareholders;
- it must not generate more than 50% of income from grants and donations (or, equivalently, it should generate at least 50% of income from trading); and
- it should consider itself either 'a very good fit' or 'a good fit' with the following statement: 'A business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners'.

The identification of social enterprises is discussed in more detail in chapter 3.

Key findings

The findings in the main report are based on this report's definition of a social enterprise, as outlined above. There are a number of possible definitions of social enterprises in the Small Business Survey dataset, and their identification is discussed in more detail in chapter 3. Results based on alternative definitions are listed in Annex B. The previous Small Business Survey was published in 2012 and comparisons are drawn with the 2012 Cabinet Office report based on these results¹.

¹ See: <https://www.gov.uk/government/publications/social-enterprise-market-trends>

Number of social enterprise businesses and employees²

A similar proportion of SME employers surveyed were classified as social enterprises in 2014, compared to 2012 (15% vs. 14%), but a higher proportion considered themselves social enterprises (27% vs. 24%).

- There were an estimated 741,000 UK social enterprises in 2014. This is an increase of around 58,000 since 2012.
- Of the 741,000 UK social enterprises, 195,000 were employers with at least one employee, and rest (546,000) were non-employers.
- The social enterprise sector employed roughly 2.27 million people in 2014. Estimated social enterprise employment has increased by roughly 300,000 since 2012.

Profiles of social enterprises

- Social enterprises are more likely than SME employers overall to be in the food and accommodation (19% vs. 10%), health (9% vs. 5%), and arts and leisure (6% vs. 2%) sectors. These differences are similar to those seen in 2012.
- Social enterprises are also more likely to be led by women and those from minority ethnic groups and are less likely to be entirely male led.
- The distribution of social enterprises across UK regions is similar to that of SME employers overall, but social enterprises are more likely to work in the most deprived 20% of areas, and less likely to work in the least deprived areas.

Business performance and plans for growth

- Social enterprises reported better performance in the year to 2014 than in the year to 2012. A higher proportion were profitable (75% vs. 64%), and higher proportions reported increasing both employment and turnover over the past year, compared to 2012.
- They were also more optimistic about their future than in 2012. Compared to 2012, a higher proportion envisaged increased employment and turnover over the upcoming year, and growth of the business over the next two to three years.
- These performance trends were generally similar for SME employers overall.

Potential obstacles to success

- The economy continued to be the most cited obstacle to success for both social enterprises and SME employers overall, although it was considered an obstacle by a lower proportion than in 2012. Red tape and competition were the next most commonly cited obstacles for both all SME and social enterprise employers.
- Relative to SME employers overall, social enterprises did not report a lack of business capabilities as internal obstacles to success. A higher proportion of social enterprises than SME employers overall perceived themselves as strong across a range of business activities.

² Note that figures on numbers of social enterprises and employees are estimated by scaling up SBS 2014 results using Business Population Estimates (BIS, 2014).

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- When looking more in depth at economy-related obstacles to success, local economic conditions in particular were more likely to be mentioned as obstacles by social enterprises than by all SMEs.

Access to finance

- A higher proportion of social enterprises had sought finance in the past year than for SME employers overall (23% vs. 19%) with 'funding expansion' becoming mentioned as a reason for doing so by a higher proportion of social enterprises than in 2012 (11% vs. 4%).
- Social enterprises continue to struggle with accessing the finance they need, relative to SME employers overall. Forty-nine per cent had difficulty to obtaining finance from the first source they approached, compared to only 39% of SME employers overall. Thirty-one per cent of social enterprises got none of the finance they required (21% for SME employers overall).
- Despite continuing differences between social enterprises and SMEs overall, access to finance seems to have improved since 2012. In 2014, a lower proportion of social enterprises had difficulties obtaining finance from the first source approached than in 2012 (49% vs. 56%) and a higher proportion ended up obtaining all the finance they needed (64% vs. 58%).

Business support

- Social enterprises are no more or less likely than SME employers overall to seek information and business advice (43% vs. 44%).
- Social enterprises are less likely than all SMEs (51% vs. 58%) to arrange training and development for their employees.

Types of customer

- Social enterprises are more likely than all SMEs to have individual consumers as their main type of customer (58% vs. 43%), and less likely than average to work mostly for private sector businesses (30% vs. 45%).
- A higher than average proportion of social enterprises bid for a public sector contract in the year to 2014 (13% vs. 10%).

2. Introduction

The aim of this report is to highlight the key characteristics of social enterprises in 2014. It focuses on: the number of social enterprises and their contribution to the economy; their profiles and current business performance; their views on potential obstacles to success; the types of business support they receive; and their main types of customer. The report further highlights comparisons between social enterprises and the general SME population. These will be useful to those wishing to better understand the comparative characteristics and experiences of social enterprises in order to effectively target policy at the social sector. It is the only UK report able to draw these comparisons with other SMEs from the same sample.

The Cabinet Office has produced this report based on Small Business Survey (SBS) 2014 data, gathered through a telephone survey of business owners and managers in the UK, commissioned by the Department for Business, Innovation and Skills (BIS). The results of the main SBS 2014, including basic social enterprise statistics, are published in BIS Research Paper Number 2014 “Small Business Survey 2014: SME employers”³. This report explores social enterprise data in greater depth and compares the characteristics of social enterprises in 2014 with those in 2012 using 2012 SBS data⁴.

Social Enterprise UK (SEUK) also undertakes research on the sector and has recently published the ‘State of Social Enterprise Report 2015’⁵ and ‘Prospecting the Future: social enterprise and finance data from 2011-2015’⁶. Whilst the Cabinet Office uses solely the SBS in this report, which includes other SMEs, SEUK use the State of Social Enterprise Survey, which samples SEUK members and members of other social enterprise networks, and supplements this by contacts from the two most recent Small Business Surveys that had identified their organisations as a social enterprise. The sampling and methodology of the two reports are therefore different and the results vary. This report does not draw direct comparisons with the State of Social Enterprise Report 2015. Instead, this report focuses on comparisons with SMEs and social enterprises in 2012, when the previous Small Business Survey was carried out by BIS.

There are some differences between the 2014 SBS and previous surveys, and some of the content of the 2012 “Social Enterprises: Market Trends” report could not be updated for

³ See: <https://www.gov.uk/government/publications/small-business-survey-2014-businesses-with-employees>

⁴ See: <https://www.gov.uk/government/publications/small-business-survey-2012-sme-employers>

⁵ See: <http://www.socialenterprise.org.uk/advice-services/publications/state-social-enterprise-report-2015>

⁶ See: http://socialenterprise.org.uk/uploads/editor/files/Publications/SEUK_ProspectingtheFuture_report2016_V5.pdf

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2014⁷. A full discussion of these differences is available in Appendix A. Appendix A also provides technical details on the applicability and significance of findings. Most of the findings presented relate to SME employers only (with the notable exceptions of estimates of the total size of the sector and employment), and unless stated otherwise, all 2012 figures and all 2014 findings reported in bold are statistically significant. The data relating to groups with a smaller sample size such as those that have sought finance during the previous year should be considered with some caution.

⁷See: <https://www.gov.uk/government/publications/social-enterprise-market-trends>

3. Number of social enterprise businesses and employees

This section explains how social enterprises have been defined in this report and presents estimates of the total numbers of social enterprises in the UK and their contribution to the UK economy.

The classification of a social enterprise

There is no standard definition of a social enterprise. Broadly, social enterprises are considered to be businesses that trade to tackle social or environmental problems. Often, the main distinguishing features of social enterprises include having a clear social or environmental mission, generating the majority of income through trade, and reinvesting the majority of profits into the business (rather than paying out to shareholders)¹. Precise definitions vary as social enterprises can take on a variety of shapes and legal forms.

Throughout this report, the criteria applied for an SME employer to be classified as a social enterprise in SBS data are:

1. The enterprise must consider itself to be a social enterprise
2. It must not pay more than 50% of profit or surplus to owners or shareholders
3. It must not generate more than 50% of income from grants and donations (or, equivalently, it should generate at least 50% of income from trading)
4. It should think itself either 'a very good fit' or 'a good fit' with the following statement: 'A business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners'.

This definition is in line with that often used in the sector in terms of enterprises seeing themselves as having a social objective, investing profits into the business (rather than paying out to shareholders) and generating the majority of income through trade. It is intended to incorporate a broad range of social enterprises who aim to serve a social purpose but who are not necessarily solely devoted to social aims⁸. It is unlikely to capture all businesses that are having a social impact, but allows a subset of SMEs to be clearly identified for comparison with the wider SME population.

⁸ See: <http://www.socialenterprise.org.uk/about/about-social-enterprise>

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This definition differs slightly from the definition used by the Department for Business, Innovation and Skills⁹, which varies on criteria 3 and 4: using a 25% threshold on the maximum amount of income generated through grants and donations (i.e. at least 75% of income should be traded), and only including ‘very good fit’ social enterprises.

The criteria also differ slightly from those applied in the 2012 “Social Enterprise: Market Trends” report, which specified that, under criterion 3, a maximum of 75% of income should come from grants and donations (and at least 25% from trading¹⁰). Note that this change was made as it only excludes around 1% of the sample from being classified as a ‘social enterprise’, but brings our definition of social enterprise closer to that commonly used in the sector.

Table 3.1 shows that variations on criterion 3 make a relatively small difference to the number of SMEs in the sample classified as social enterprises, whereas variations in criterion 4 make quite a large difference. This means that the definition applied in this report produces similar results to the definition used in 2012, but quite different results compared to the definition employed by BIS.

To enable a comparison with 2012, the SBS results have been recalculated using this report’s definition and they will therefore differ from the Cabinet Office’s 2012 report. Details of this are available in Appendix A. Full results using the BIS definition are available in Appendix B.

Table 3.1: Proportions of businesses classed as social enterprises under various definitions

n=4,355		Criterion 3: Minimum % of income from trading		
		25%	50%	75%
Criterion 4: Degree to which business fits statement	At least ‘a good fit’	16.2%*	15.4%**	14.3%
	‘A very good fit’	6.8%	6.2%	5.4%***

*Definition used in 2012 report, **This report’s definition, ***Definition employed by BIS

The classification used in this report includes all enterprises that responded positively to the statement in criterion 4. This does not exclude businesses on the basis of what is perhaps a judgemental matter. It also balances between the 25% and 75% of income from trading criteria (which, as mentioned, make only a small difference to results).

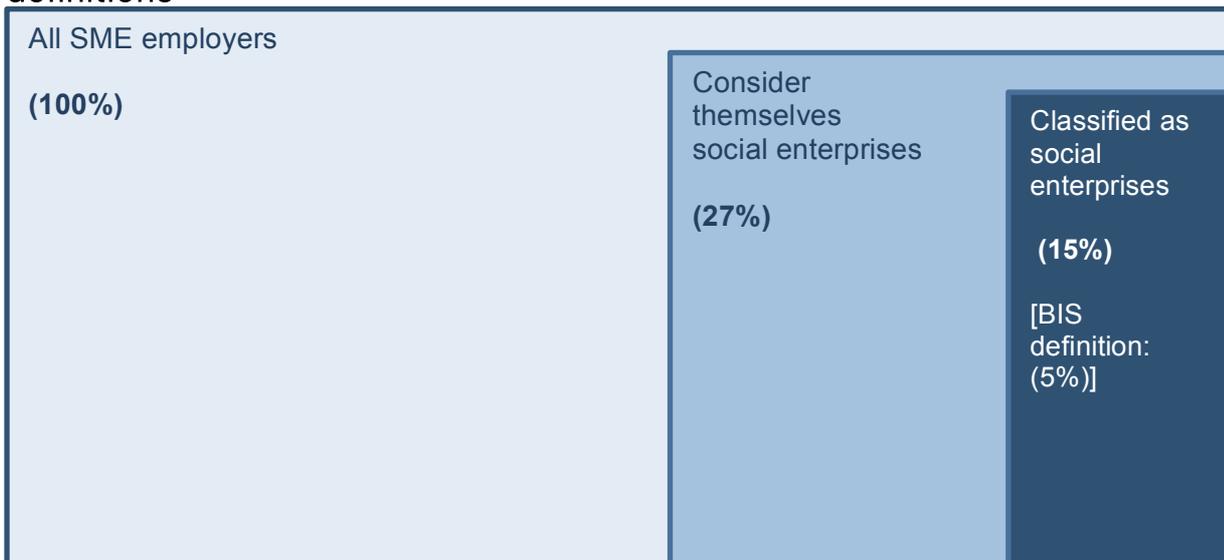
⁹ See: <https://www.gov.uk/government/publications/small-business-survey-2014-businesses-with-employees>

¹⁰ The previous report also presented results for a stricter definition whereby enterprises must consider themselves ‘a very good fit’

Proportions of SME employers who consider themselves social enterprises

Figure 3A shows the proportion of SME employers who consider themselves social enterprises and the proportions that fit the various definitions of a social enterprise discussed above.

Figure 3A: Proportion of SME employers who consider themselves social enterprises and proportions classified as social enterprises under various definitions



In 2014 27% of SME employers considered themselves social enterprises, compared to 24% in 2012¹¹. The proportion classified as social enterprises under the definition used in this report is 15%, which is slightly higher than in 2012 (14%)¹². This figure of 15% is slightly lower than if we had used the same definition as the 2012 report but substantially higher than the proportion under the BIS definition of a social enterprise (5%).

The difference between the proportion of SME employers who consider themselves a social enterprise and the proportion classified that way in this report demonstrates the breadth of interpretation of this term. It is likely that many SME employers saying they consider themselves a social enterprise do not fit this report's definition of a social enterprise outlined at the outset of this chapter.

¹¹ This figure is calculated using weighted data and including missing values in line with the 2014 SBS report. All other percentages do not include missing values and are calculated as a proportion of those who answered the question.

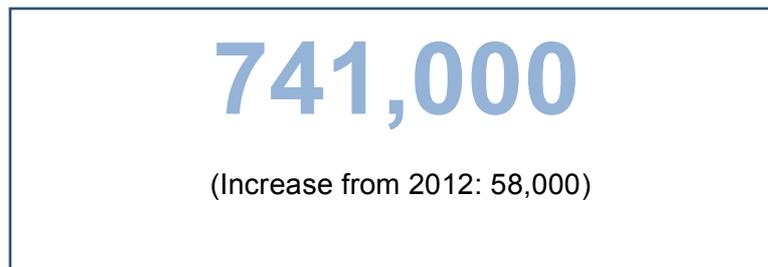
¹² Calculated by applying this report's definition of a social enterprise to 2012 SBS data.

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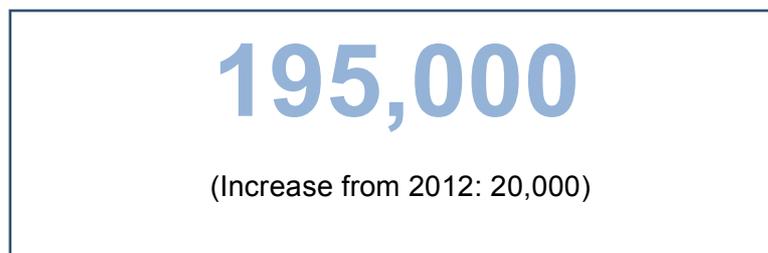
Total number of social enterprises in the UK

By grossing up the proportions classified as social enterprises in this report using Business Population Estimates (BPE)¹³, it is possible to gain an indication of their total numbers.

Estimated number of UK social enterprises



Estimated number of UK social enterprise employers



It is estimated that there were 741,000 social enterprises in the UK in 2014. This includes employers as well as businesses with no employees and is an increase of almost 58,000 from the 2012 estimate of 683,000¹⁴. The 95% confidence interval for the number of SME social enterprises is 621,400 - 860,100 and the interval for SME social enterprise employers is 172,900 – 217,300.

This increased estimate can be explained by the increase in the proportion of SMEs classified as social enterprises as well as an increase of roughly 450,000 in the total number of UK SMEs.

¹³ See: <https://www.gov.uk/government/collections/business-population-estimates>

¹⁴ This figure uses the 2014 definition of a social enterprise and the 2012 SBS data. The number of social enterprises in the 2012 report is 688,200

Table 3.2: Total estimated number of UK SME social enterprises 2014

2014 REPORT DEFINITION	Total SME numbers (rounded) *	Proportion of social enterprises	Number of social enterprises (rounded)	Sample error	Number of social enterprises (range)
No employees ¹⁵	3,966,000	13.8%	546,000	2.4%	449,000-643,000
Micro businesses (1-9 employees)	1,044,000	15.1%	157,000	1.7%	139,000-175,000
Small businesses (10-49 employees)	195,000	16.7%	33,000	1.8%	29,000-36,000
Medium-sized businesses (50-249 employees)	31,000	16.0%	5,000	2.3%	4,000-6,000
Total (all SMEs)	5,236,000	14.1%	741,000	-	621,000-860,000
Total (SME employers)	1,271,000	15.4%	195,000	-	173,000 - 217,000

*Based on Business Population Estimates (BPE) 2014.

Numbers employed by SME social enterprises

Total employment is calculated by adding the number of full and part-time employees to the number of working owners and proprietors. To estimate the number employed by UK SME social enterprises, this report applies the proportions of social enterprises in each size category from the SBS, to Business Population Estimates (BPE) from 2014.

The BPE 2014 estimates that for the 1.27 million SME employers in the UK, there were 10.2 million employees and 601,000 working proprietors¹⁶. The SBS estimates that 15.4% of SME employers and 14.1% of all SMEs can be classified as social enterprises.

¹⁵ SMEs where all staff are; working owners or partners, agency or contract staff, or self-employed

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Applying the proportions of social enterprises within each size band of employers (i.e. micro businesses and larger) to the total number of employees and working owners for this size of SME, gives a figure of 1.7 million employed by SME employer social enterprises (as opposed to the number of employees). This figure of 1.7m can be added to the estimated 546,000 social enterprises that have no employees, making a new total of 2,268,000 people employed by SME social enterprises.

As the number of working proprietors depends on the legal form of the business, this calculation assumes that similar proportions of social enterprise employers and all SME employers are self-employed, partnerships and companies. Twenty six per cent of SME employers are sole proprietors or in partnerships compared to twenty eight per cent of SME social enterprises (see Table 4.5). This calculation also assumes that social enterprise employers have the same number of employees as all SME employers on average. Table 3.4 shows that the numbers of employees reported by social enterprises is not significantly different from those reported by other SMEs so this assumption is considered reasonable.

Estimated number employed by UK social enterprises



The estimate in 2012 stood at 1,958,000, suggesting that the social enterprise sector has grown considerably in terms of employment. This can be explained by a mixture of there being a slightly higher proportion of social enterprises, and the overall number of employees in the UK increasing since 2012. Due to the calculation method used most of this increase can be explained by an overall increase in employment.

The breakdown of numbers employed by social enterprises is shown in table 3.3:

¹⁶ See: Table 1, Detailed Tables <https://www.gov.uk/government/statistics/business-population-estimates-2014>

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Table 3.3: Breakdown of total social enterprise employment estimates

	Total employees/ working owners (BPE)	Proportion of social enterprises (SBS)	Total employees/working owners in social enterprises (rounded)
Employees: Micro businesses (1-9 employees)	3,415,000	15.1%	515,000
Employees: Small businesses (10-49 employees)	3,730,000	16.8%	625,000
Employees: Medium- sized businesses (50- 249 employees)	3,060,000	16.0%	490,000
Working owners and partners: Micro businesses (1-9 employees)	509,000	15.1%	77,000
Working owners and partners: Small businesses (10-49 employees)	77,000	16.8%	13,000
Working owners and partners: Medium-sized businesses (50-249 employees)	15,000	16.0%	2,000
Working owners and partners: non-employer social enterprises	3,966,000	13.8%	546,000
TOTAL			2,268,000

It is also possible to estimate the number employed by UK social enterprises using the average mean number of employees and working proprietors from the SBS. According to the SBS, social enterprise employers have 9.4 employees and 6.7 working proprietors on average. Overall, social enterprises report having a slightly higher than average number of employees. These mean averages could be scaled up by the estimated number of social enterprises and added to the number of non-employer social enterprises to estimate a total.

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Table 3.4: Average mean number of employees

	All SME employers	Social enterprise employers
Employees: Micro businesses (1-9 employees)	3.4	3.6
Employees: Small businesses (10-49 employees)	21.9	23.2
Employees: Medium-sized businesses (50-249 employees)	98.2	101.5
All employers	8.6	9.4

This report's chosen method is to use BPE data to estimate the number employed by social enterprises. Business Population Estimates for the UK and Regions is a National Statistics publication and is more reliable than SBS survey data for scaling up the number of employees and working proprietors.

The 2012 "Social Enterprise: Market Trends" report uses a combination of these approaches; taking the average number of working proprietors from BPE and the average number of employees from the SBS. If the method used in 2012 was applied to the 2014 data, the estimated number employed would be slightly higher at 2.48m and the increase from 2012 would be 413,800.

4. Profiles of social enterprises

This section examines the key characteristics of social enterprises including their size, age, sector, region, legal status and likelihood of exporting goods and services. Note that from this section onward we focus on SME and social enterprise employers. Due to the way that responses are weighted in the SBS, BIS recommends that SME employers be analysed separately from those with no employees. The focus on employers in this report is consistent with reporting of the 2012 Social Enterprises report. Further details on the weighting of SME employers and those with no employees can be found in Appendix A.

Size of business

The majority (81%) of social enterprises in SBS 2014 were micro businesses (with 1-9 employees), 17% were small businesses (with between 10 and 49 employees), and 3% were medium-sized businesses (with between 50 and 249 employees). There were no statistically significant differences between all SME employers and social enterprises in size. This trend was similar in the SBS 2012.

Table 4.1: Employment size

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
Micro Businesses (1-9 employees)	82.2	80.7
Small Businesses (10-49 employees)	15.3	16.7
Medium-sized businesses (50-249 employees)	2.5	2.6
	100	100

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. A2. Single answer only allowed at this question.

Age of business

Eleven per cent of all SME employers in 2014 were aged between 0 and 3 years, 27% were aged between 4 and 10 years, and 61% were aged over 10 years. At 15%, the proportion of SME employer social enterprises aged 0-3 years was significantly higher than average. However, the 23% aged 4-10 years was lower than for SME employers overall. The proportion of SME employers overall and social enterprises aged over 10 years was not

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statistically significantly different. The age profile of social enterprises in 2014 was similar to that seen in 2012.

Table 4.2: Age of business

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
0 - 3 years	10.9	15.2
4 - 10 years	27.4	23.2
>10 years	60.6	61.2
Don't know	1.1	0.4
	100	100

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. A6. Single answer only allowed at this question.

Sector

Table 4.3 shows that social enterprises are more likely than average to be in the food and accommodation (19% vs. 10%), health (9% vs. 5%), arts and leisure (6% vs. 2%) and education (3% vs. 1%) sectors. These sectors were the same as in 2012, although in 2012 social enterprises were even more heavily concentrated in the food and accommodation sector (24% compared to the 19% in 2014).

Social enterprises are less likely than average to be in the business services, construction, retail and manufacturing sectors. In 2012 social enterprises were less likely to be in the information and communications and administrative services sectors, but that was no longer the case in SBS 2014.

Table 4.3: Sector that the business operates in (1-digit SIC 2007 codes)

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
ABDE Primary	4.7	4.2
C Manufacturing	6.8	4.9
F Construction	11.7	8.7
G Retail/wholesale	18.9	15.2
H Transport	2.8	2.6
I Food/accommodation	9.9	18.9
J Information/communications	5.4	4.6

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KLM Business services	18.1	8.2
N Administrative services	8.0	7.5
P Education	1.4	2.7
Q Health	4.8	9.4
R Arts/leisure	1.9	6.3
S Other services	5.3	6.9
	100	100

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. A4. Single answer only allowed at this question.

Looking at sector breakdowns in more detail, it is possible to show sub-sector groups where the incidence of social enterprise was higher than average. In most cases the sample size for each sector was too small to draw conclusions. However in the 'food and beverage service activities' and 'social work activities without accommodation' sectors the sample sizes are 357 and 206 respectively and the proportions of social enterprises are 30% and 32%. This is double the average incidence of social enterprise employers across all sectors (15.4%) and these differences are statistically significant.

Region

Social enterprises followed a very similar distribution across regions to SME employers overall in 2014. This differs to 2012 when social enterprises were more likely than average to be in the South West and less likely than average to be in the East Midlands¹⁷. For some regions, the sample sizes of social enterprises are relatively small and where the sample size for a region falls below 50, this is marked with an asterisk.

Table 4.4: Region of business

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
East of England	8.9	8.4
East Midlands	8.3	7.9*
London	11.7	11.0
North East	3.0	3.3*
North West	8.2	7.4
South East	16.8	16.5
South West	11.5	12.8

¹⁷ If comparing to the 2012 social enterprises report, note that proportions are calculated differently here: in 2012 proportions for regions of England summed to 100%, here they sum to the overall proportion of SMEs in England (86% for both SMEs overall and social enterprises).

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West Midlands	9.8	10.0
Yorkshire and the Humber	7.8	8.7*
Scotland	7.3	6.2
Wales	4.2	4.8*
Northern Ireland	2.6	2.9
	100	100
*= fewer than 50 observations		

Base = all SME employers

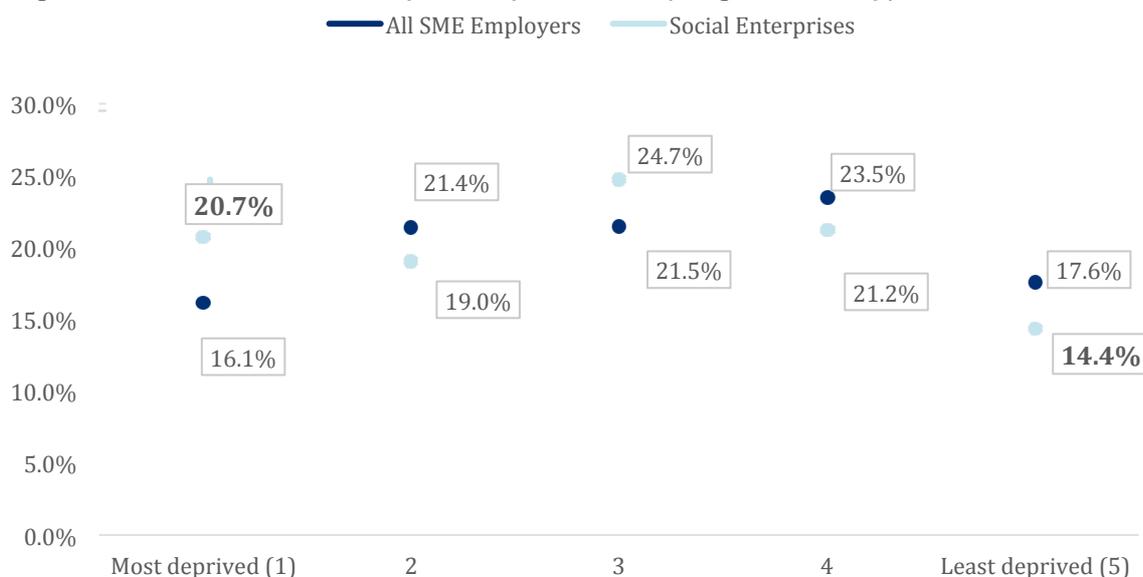
Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises.

Areas of deprivation

The index of multiple deprivation (IMD) is a postcode-derived measure that combines scores on a number of social indicators such as health, employment, income, education, crime, living environment and barriers to housing and services. It is calculated differently in England, Scotland, Wales and Northern Ireland, and for this reason we only included SMEs in England for further analysis.

Twenty-one per cent of social enterprises operate in the most deprived 20% of areas. This is significantly more than all SMEs (16%) and slightly higher than the same figure in 2012, although in 2012 the difference between social enterprises and all SMEs was not statistically significant. Social enterprises are also significantly less likely to operate in the least deprived areas (14% vs.18%).

Figure 4A: Index of Multiple Deprivation (England Only)



Base = all SME employers in England

n= 3,724 (SME), 475 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises.

Legal status

As in 2012, in 2014 social enterprises were less likely than all SME employers to be private limited companies (58% vs. 66%) and more likely than average to be Community Interest Companies (2% vs 0%). In 2014 social enterprises were also more likely to be companies limited by guarantee (5% vs 3%). Despite being more likely than other SME employers to have alternative legal statuses, the majority of social enterprises had traditional legal statuses such as limited company, sole proprietor or partnership. The question on whether enterprises also had charitable status is not asked in any of the Small Business Surveys.

Table 4.5: Legal Status

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
Sole proprietorship	13.5	18.6
Private limited company, limited by shares (LTD.)	66.1	57.5
Public Ltd Company (PLC)	0.6	0.7
Partnership	10.4	8.0
Limited liability partnership	1.7	0.9
Private company limited by guarantee	2.8	5.3
Community Interest Company (CIC)	0.4	2.1
Friendly Society	0.2	0.5
A Co-operative	0.1	0.6
Industrial and Provident Society	0.0	0.1
Private Unlimited Company	0.6	1.1
Foreign Company	0.2	0.0
A trust	1.3	1.9
An unincorporated association	0.4	0.7
Other	0.6	0.2
Don't know	1.1	1.9
	100	100

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. A5. Single answer only allowed at this question.

Diversity

The SBS asks about businesses led by women and minority ethnic groups (MEG).

A 'women-led business' is defined as controlled by a single woman, or having a management team of which a majority were women. In 2014 social enterprise employers were significantly more likely to be led by women and significantly less likely to be entirely male-led. Similar trends were found in 2012.

Social Enterprise: Market Trends 2014

Table 4.6: Women-led businesses

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
Women-led	17.9	22.9
Equally-led	26.8	27.7
Women in minority	8.8	10.8
Entirely male-led	45.5	38.3
Don't know/refused	1.0	0.3
	100	100

Nine per cent of social enterprises were MEG-led, defined as having a person from an ethnic minority in sole control of the business, or having a management team with at least half of members from an ethnic minority. This is significantly higher than the average for SME employers. Similar trends were found in 2012.

Table 4.7: Minority ethnic group (MEG)-led businesses

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
MEG-led	6.8	8.6
Not MEG-led	93.2	91.4
	100	100

Likelihood of exporting

A significantly lower than average proportion of social enterprises export their goods and services outside the UK (11% vs. 19%). These proportions were the same as in 2012 (to the nearest percentage point).

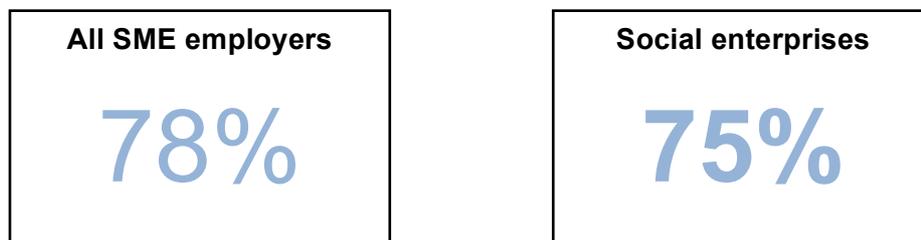
5. Business performance of social enterprises

This section explores how social enterprises performed in the year prior to the survey in terms of profitability, employment size and turnover, and their expectations for performance in the year following the survey. It also looks at their longer-term expectations for business growth, as well as their performance on innovation.

Generating a profit

A lower proportion of social enterprises had generated a profit over the last year when compared to SME employers overall (75% vs. 78%). However, the proportion of profitable social enterprises was 11 percentage points higher than in 2012 and the difference between SMEs and social enterprises has shrunk by 4 percentage points.

Proportion of businesses that had made a profit over the last year



Base = all SME employers
n= 4,355 (SME), 707 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. D3. Single answer only allowed at this question.

Numbers employed compared to one year ago

In 2014, a higher proportion of social enterprises reported that, compared to the previous year, they were employing more people (21%) than those that reported they employed fewer (16%)¹⁸. The pattern for social enterprises in 2014 was similar to that of SME employers overall.

¹⁸ This fits with the finding in section 3 that in 2014 the mean number employed by social enterprises was higher than in 2012.

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Table 5.1: Numbers employed now compared to one year ago

	All SME employers	Social enterprise employers
n=	4,313	694
	%	%
Less than one year ago	16.0	16.3
About the same	62.0	63.1
More than one year ago	21.7	20.5
Don't know	0.3	0.2
	100	100

Base = all SME employers trading for at least one year

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. B2. Single answer only allowed at this question.

Numbers expected to employ in one year's time

At the time of the survey in 2014, 33% of social enterprises expected to employ more people in one year's time, with only 4% expecting to employ fewer. This suggests a more optimistic outlook for social enterprises in 2014 than in 2012, when the proportion expecting to employ more was 16 percentage points lower and the proportion expecting to employ fewer was 17 percentage points higher. The employment outlook for social enterprises in 2014 was similar to that of SME employers overall.

Table 5.2: Numbers expect to employ in one year's time

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
More than currently	32.1	33.3
About the same	62.6	61.3
Fewer	4.4	3.7
Don't know	0.9	1.7

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	100	100
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Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. B6. Single answer only allowed at this question.

Turnover compared to one year ago

Thirty-five per cent of social enterprises reported increased turnover over the year to 2014, with 23% reporting a decrease. The respective figures for SME employers overall were 40% and 18%. Thus, whilst changes in employment over the year to 2014 were similar between social enterprises and SMEs generally, changes in turnover were relatively less favourable for social enterprises. In line with profitability and employment findings, however, changes in turnover were better for social enterprises than they were in the year to 2012, when the proportion reporting increased turnover was 7 percentage points lower and the proportion reporting decreased turnover was 9 percentage points higher.

Table 5.3: Turnover now compared to one year ago

	All SME employers	Social enterprise employers
n=	4,313	694
	%	%
Increased	39.9	35.1
Decreased	17.6	23.4
Stayed the same	38.6	38.6
Don't know	2.6	2.5
Unwilling to answer	1.3	0.4
	100	100

Base = all SME employers trading for at least one year

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. P2. Multiple answers allowed at this question.

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Turnover expected in one year's time

At the time of the survey in 2014, 58% of social enterprises expected their turnover to increase over the next year, with 32% expecting it to remain the same, and 6% expecting it to decrease. With only 51% of SME employers overall expecting their turnover to increase, social enterprises were significantly more optimistic than average about increasing turnover. In 2012 only 40% of social enterprises expected their turnover to increase¹⁹.

Table 5.4: Expected turnover in one year's time

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
More than now	51.3	58.3
Same as now	36.6	32.2
Less than now	7.8	6.3
Don't know/refused	4.3	3.2
	100	100

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. P7. Single answer only allowed at this question.

Plans for closure or transfer of business

Despite social enterprises being more optimistic than average about increasing turnover over the next year, they were slightly more pessimistic than average about the prospect of closure over the next five years. Seven per cent anticipated their business closing over this period, compared to 4% for SME employers overall. In 2012 the same proportion of social enterprises anticipated closure.

¹⁹ The difference between the expectations of SMEs and social enterprise SMEs in 2012 was not statistically significant.

Table 5.5: Plans for closure or transfer of business in the next 5 years

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
Anticipate closure	4.4	6.7
Anticipate full transfer	11.7	13.2
Neither	77.7	73.2
Don't know	6.1	6.9
	100	100

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprise. R3. Single answer only allowed at this question.

Plans for growth over the next two to three years

Roughly the same proportions of social enterprises and SME employers overall aim to grow over the next two to three years (75% and 73% respectively). These figures are slightly higher than in 2012.

Of the social enterprises aiming to grow, 34% thought it likely that they would approach external finance providers to help fund this growth. This is a similar figure to 2012. The same proportion for SME employers overall was 5 percentage points lower.

Social Enterprise: Market Trends 2014

Figure 5A: Proportion of social enterprise employers that aim to grow and proportions likely to apply for external finance to do so

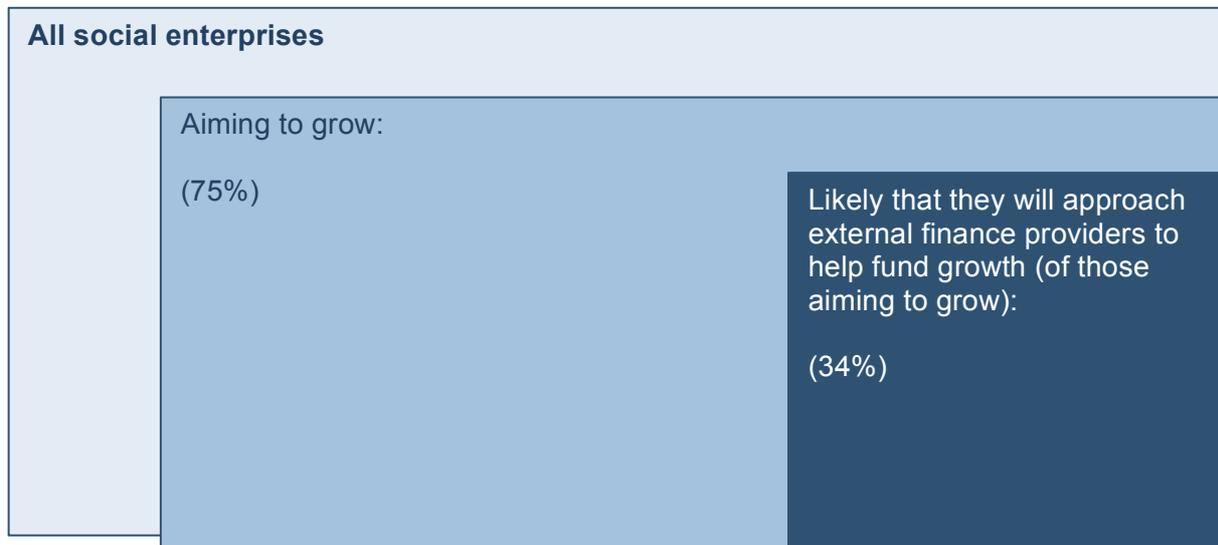
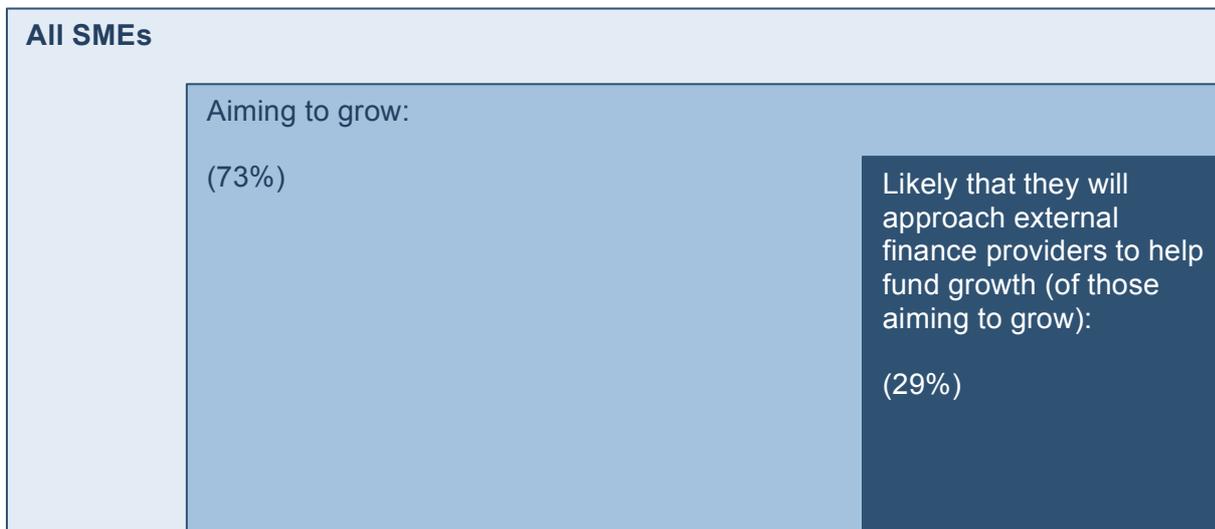


Figure 5B: Proportion of SME employers that aim to grow and proportions likely to apply for external finance to do so



Base = all SME employers
n= 4,355 (SME), 707 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprise

How growth will be achieved

Of those looking to grow in 2014, social enterprises had similar plans to SME employers overall for how they intended to do so. However, social enterprises were more likely to mention capital investment (59% vs. 54%), developing and launching new products and services (62% vs. 58%), and increasing the leadership capability of managers (72% vs. 64%) as planned ways of achieving growth.

Table 5.6: How plan to achieve growth

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
Increase skills of the workforce	81.0	81.8
Increase turnover by exploiting new markets	67.8	68.7
Increase the leadership capability of managers	64.4	72.2
Develop and launch new products/ services	58.0	61.9
Capital investment	54.2	58.9

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. F3. Single answer only allowed at this question.

Innovation

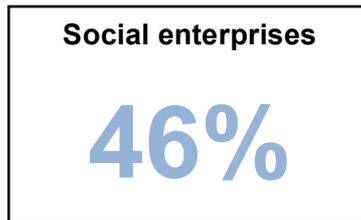
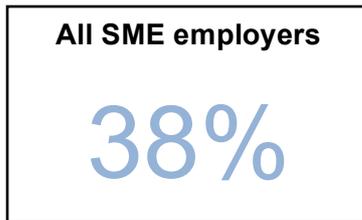
Almost a half (46%) of social enterprises reported introducing a new or significantly improved product or service in 2014, 8 percentage points higher than the proportion of SME employers overall. However this figure is lower than in 2012, when 55% of social enterprises reported making innovations in this area.

There was no notable difference in the proportions of social enterprises and SME employers overall introducing new processes (both 32%). For SME employers this proportion was broadly in line with that in 2012, but for social enterprises this represented a fall of 10 percentage points.

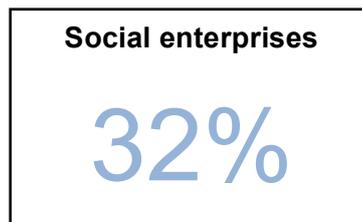
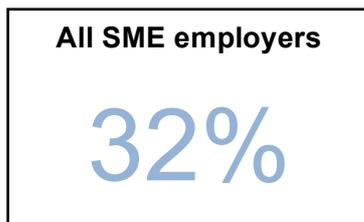
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Proportion of businesses which introduced new or significantly improved...

...products and/or services:



...processes:



Base = all SME employers (half sample only)
n= 2,150 (SME), 326 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. J1/J3. Single answer only allowed at this question.

6. Potential obstacles to the success of the business (internal and external)

This section explores the potential weaknesses and obstacles that social enterprises report as restricting their business success.

Perceptions of business capability

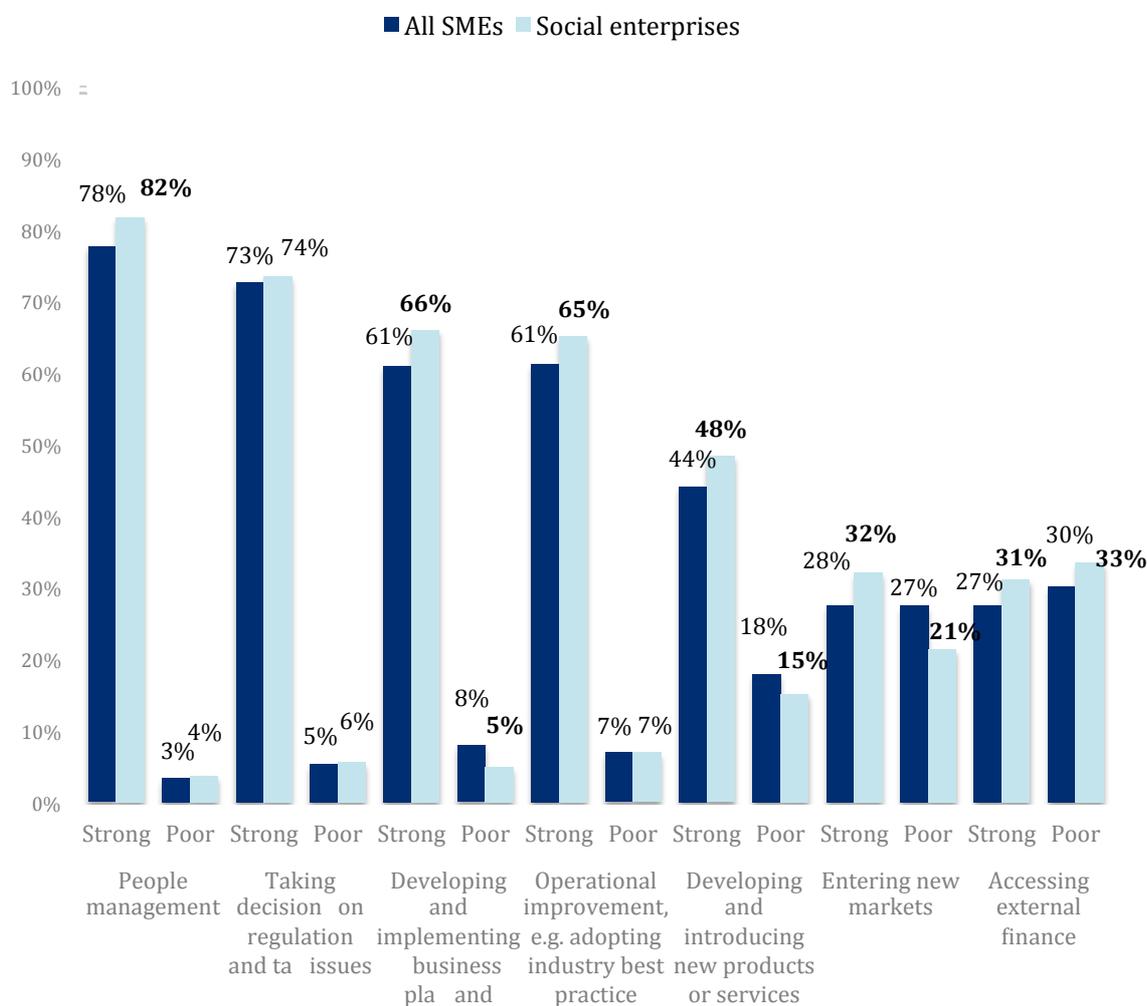
Overall, a majority of SME employers considered their businesses to be strong at people management (78%), taking decisions on regulation and tax issues (73%), developing and implementing a business plan and strategy (61%), and operational improvement (61%). The only area in which SME employers were more likely to think themselves poor rather than strong was accessing external finance (27% strong, 30% poor).

Social enterprises were more likely than average to think themselves strong at business activities in all areas mentioned, and compared to 2012 across all areas there was an increase in the percentage of social enterprises thinking themselves strong.

Social enterprises were also more likely than average to think themselves poor at accessing external finance (33% of social enterprises compared to 30% of SMEs). A higher proportion rated themselves as poor rather than strong in this area (33% poor, 30% strong).

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Figure 6A: Perception of whether the business is strong or poor at business activities



Base = all SME employers
n = 4355, 707

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. F4. Multiple answers allowed at this question

Obstacles to the success of the business

Respondents were read a list of issues and asked which, if any, represented obstacles to the success of their business.

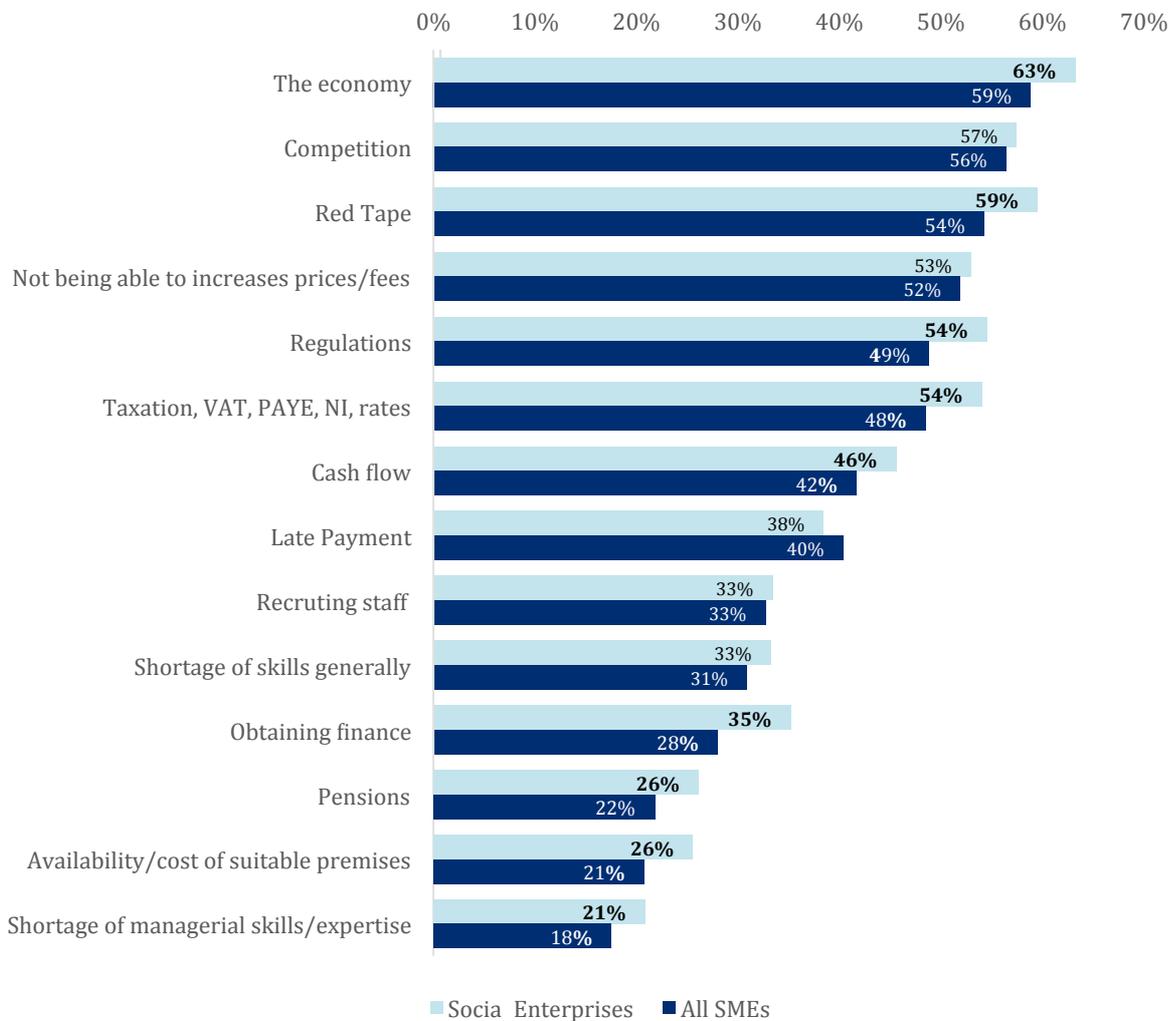
Overall, 59% of SME employers said that the economy was an obstacle to the success of their business. This represents a marked decrease since 2012, when 78% of SMEs mentioned the economy as an obstacle. Fifty-six per cent cited competition in the market, 49% regulations, 48% taxation (including VAT, PAYE, NI and rates), 42% cash flow, 28% obtaining finance and 21% the availability of suitable premises, all of which were unchanged,

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or had decreased since 2012. There were slight increases in the percentage of SME employers citing a general shortage of skills (31%), recruiting staff (33%), pensions (22%) and the lack of managerial skills and expertise (18%) as obstacles to their business.

Social enterprises were more likely than average to cite all factors as obstacles to their business except for late payment, although in some cases differences were not statistically significant. Only the economy, cash flow, and obtaining finance were mentioned less frequently than in 2012. All other factors remained at roughly the same frequency or were cited more often than in 2012, including shortage of managerial skills and expertise (18% in 2012, 21% in 2014). This seems to contradict the trend in figure 6A (and table 6.1) where the percentage of social enterprises thinking themselves strong in people management increased (69% in 2012, 82% in 2014).

Figure 6B: Obstacles to the success of the business



Base = all SME employers
 n = 4355 (SME), 707 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. G1. Multiple answers allowed at this question.

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The economy

The economy was the most frequently mentioned obstacle to the success of the business for all SME employers and for social enterprises.

The majority of SME employers who mentioned the economy as an obstacle to their business believed that a reduction in demand (64%), pressure to reduce prices (52%), increased energy costs (60%) and local economic conditions (65%) were specific issues that affected their business.

For social enterprises, local economic conditions (74%) in particular were more likely than average to be mentioned as obstacles.

Table 6.1: Specific issues related to the economy that affect businesses

	All SME employers	Social enterprise employers
n=	592	109
	%	%
Local economic conditions	65.3	73.9
Reduction in demand	64.4	64.3
Increased costs	59.9	66.3
Pressure to reduce prices	52.3	56.2

Base = all SME employers considering the economy to be their main obstacle to success

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. G3. Multiple answers allowed at this question.

7. Access to finance as an obstacle to success²⁰

As found in the previous section, 35% of social enterprises consider difficulty obtaining finance an obstacle to success, significantly more than the 28% average. This section looks at what types of finance social enterprises are applying for and why, and specifically at their ability to obtain external finance. It should be noted that sample sizes throughout most of this section are considerably smaller than in earlier chapters and results should be interpreted with some caution.

Whether sought finance in the last year

A higher than average proportion of social enterprises sought finance over the past year (23% vs. 19%). This is in line with the finding in section 5 (figure 5A) that social enterprises looking to grow are more likely to apply for external finance to help do so. Similar proportions of social enterprises and SME employers overall applied for finance more than once, but a significantly higher proportion of social enterprises applied for finance once only (17% vs. 13%).

In 2012 the proportions of social enterprises and SME employers who sought finance were 4 and 5 percentage points higher respectively. However, the difference between social enterprises in 2012 and in 2014 was not statistically significant.

Table 7.1: Whether sought finance in the last year

	All SME employers	Social enterprise employers
n=	4,355	707
	%	%
YES	19.5	23.1
(Once only)	12.9	16.6
(More than once)	6.6	6.6
NO	78.9	76.5
Don't know	1.3	0.4
Refused	0.3	0.0

Base = all SME employers

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H4. Single answer only allowed at this question.

²⁰ The SBS is not the Department for Business Innovation and Skills' preferred source for access to finance. They use the SME Finance Monitor (FM). The SME FM excludes social enterprises so it is not possible to draw on it for this report. Figures presented in this report on access to finance for SMEs may differ from more widely quoted SME FM figures.

Main reasons for applying for finance

The five main reasons for applying for finance were the same for social enterprises and SME employers overall. They were: to acquire working capital or for cash flow reasons; to acquire capital equipment or vehicles; to buy land or buildings; to fund expansion; and to improve buildings.

Social enterprises were more likely than average to be applying to fund expansion (11% vs. 6%) and less likely to be applying to purchase capital equipment or buildings (18% vs. 24%). Notably, funding expansion was not a main reason for social enterprises applying for finance in 2012, when the proportion of social enterprise employers who mentioned this was not significantly different to all SME employers. Again, this resonates with the finding in chapter 5 that 75% of social enterprises are looking to grow in the next year.

Table 7.2: Main reasons for applying for finance

	All SME employers	Social enterprises
n=	1,074	181
	%	%
Working capital, cash flow	38.5	33.7
Acquiring capital equipment or vehicles	24.1	18.1
Buying land or buildings	16.3	13.3
Improving buildings	8.6	10.7
To fund expansion	5.9	11.3

Base = all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H5. Multiple answers allowed at this question.

Main types of finance sought

The five main types of finance sought were the same for social enterprises and SME employers overall. They were: bank loans, bank overdrafts, grants, leasing or hire purchases, and mortgages. In 2012, the main types of finance sought by social enterprises and SME employers were different. Asset financing was one of the five main types of finance sought by SME employers (6%), with mortgages (3%) not making the top five.

Social enterprises were not significantly more or less likely than average to seek bank loans, bank overdrafts, or leasing or hire purchases, but were significantly more likely to seek grant funding (18% vs. 12%) and significantly less likely to seek mortgages (2% vs. 5%).

Table 7.3 Main types of finance sought

	All SME employers	Social enterprise employers
n=	1,074	181
	%	%
Bank loan	47.7	53.3
Bank overdraft	20.9	18.6
Grant	12.3	17.9
Leasing or hire purchase	9.0	11.2
Mortgage for property purchase or improvement	4.8	1.8

Base = all SME employers that applied for finance in the last 12 months
 Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H6. Multiple answers allowed at this question.

Amount of finance sought

Social enterprises were more likely than average to be applying for smaller amounts of finance. In particular, they were significantly more likely to be applying for between £10,000 and £25,000 (32% vs. 22%) and significantly less likely to be applying for larger amounts between £250,000 and £500,000 (1% vs. 5%). However, compared to 2012 social enterprises seem to be applying for larger amounts of finance: in 2014 the 49% applying for amounts below £25,000 was 12 percentage points lower than in 2012 (61%).

Figure 7A: Amounts of finance sought



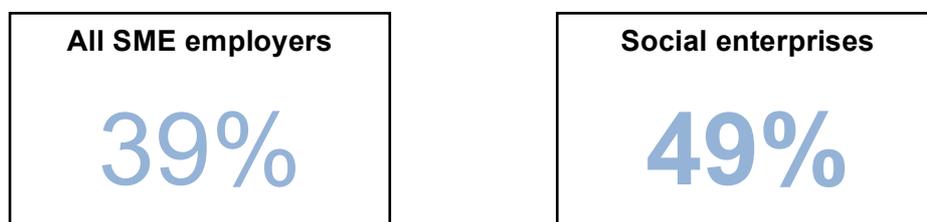
Base = all SME employers that applied for finance in the last 12 months
 n= 1,074 (SME), 181 (SE)
 Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H7/H8. Single answer only at this question.

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Any difficulty obtaining finance

Social enterprises were considerably more likely than average to have difficulties obtaining finance from the first source that they approached (49% vs. 39%). This was also related to social enterprises being more likely to be unable to obtain any finance at all (41% vs. 30%). These results are in line with the finding in section 6 that social enterprises are more likely than average to consider obtaining finance an obstacle to success. It is possible that these results are being influenced by the distribution of social enterprises over certain attributes such as age and size, although chapter 4 suggests that social enterprises follow a similar size distribution to all SMEs.

Proportion of businesses having difficulties obtaining finance from first source approached



Base = all SME employers that applied for finance in the last 12 months
 n= 1,074 (SME) 181 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H9. Multiple answers allowed at this question.

In 2012 the problem was even worse for all SME employers. The proportion of SMEs having difficulties in accessing finance was 8 percentage points lower in 2014 than it was in 2012 (57%). A similar pattern was found for social enterprises although the difference was not statistically significant.

Table 7.4: Any difficulty obtaining finance from first source approached

	All SME employers	Social enterprise employers
n=	1,074	181
	%	%
Any difficulty	39.4	49.0
(Unable to obtain any finance)	29.7	41.0
(Obtained some but not all of the finance required)	3.7	3.0
(Obtained all the finance required but with some problems)	6.1	5.1
Had no difficulties	57.9	50.4
Don't know	1.9	0.5
Unwilling to answer	0.8	0.1

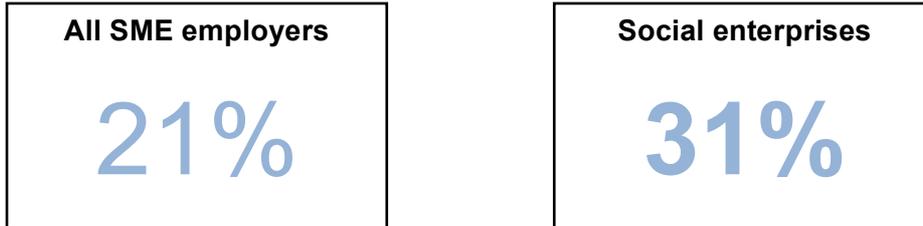
Base = all SME employers all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H9. Single answer only allowed at this question.

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Difficulties for social enterprises obtaining finance from the first source approached translated into a below average proportion getting all the finance they need from that source (55% vs. 64%). Of those that were unsuccessful from the first source approached, some went to alternative providers and were successful. However, social enterprises were still significantly more likely than SME employers overall to obtain none of the finance that they required (31% vs. 21%).

Proportion of businesses getting none of the finance they required



Base = all SME employers that applied for finance in the last 12 months
 n= 1,074 (SME), 181 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H9/H13. Single answer only allowed at this question.

Table 7.5: Eventual outcome of application for finance

	All SME employers	Social enterprise employers
n=	1,074	181
	%	%
Obtained all finance needed	71.3	64.2
(From first source approached)	64.0	55.4
(From another source)	7.3	8.8
Obtained some but not all	4.3	3.9
Obtained none	21.2	31.2
Don't know/ still pending/ refused	3.3	0.7

Base = all SME employers that applied for finance in the last 12 months

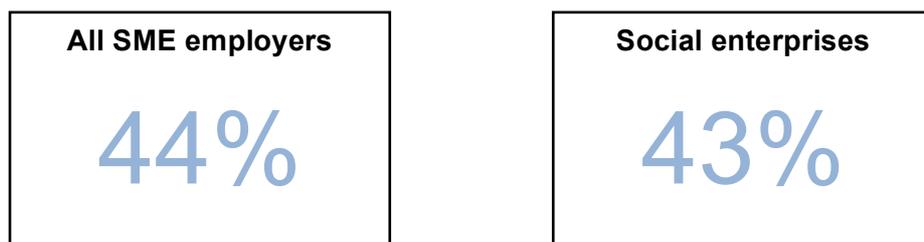
Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. H9/H13. Single answer only allowed at this question.

8. Business support for social enterprises

This section explores the kinds of advice and development that are currently being sought by social enterprises and in what disciplines this help is most needed.

Information or advice sought in the last twelve months

Forty-four per cent of SME employers in 2014 had sought external information or advice in the twelve months preceding interview. The proportion of social enterprises seeking external advice was similar to 2012 and still remained slightly below the average proportion among SME employers.



Base = all SME employers considering the economy to be their main obstacle to success
n= 4,355 (SME), 707 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. K2. Single answer only allowed at this question.

Sources of information or advice

Of those who had sought advice, the most frequently cited source of advice for SMEs was an accountant (39%), followed by a consultant or general business advisor (9%) and an internet search (8%). This pattern was very similar for social enterprises, although social enterprises were less likely to have consulted a solicitor (2% for social enterprises compared to 7% for all SMEs).

Table 8.1: Main source of information or advice (selected results)

	All SME employers	Social enterprise employers
n=	1,556	274
	%	%
Accountant	38.9	44.0
Bank	4.7	5.4
Business networks/trade associations	6.5	4.9
Consultant/general business adviser	8.7	7.2
Internet search/Google/other websites	7.8	5.1
Solicitor/lawyer	7.0	2.4

Base = all SME employers who had sought advice in the last year

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. K7. Single answer only allowed at this question. Only the six most frequently mentioned sources of advice shown.

Main reasons for seeking strategic advice

The majority of those SME employers who had specifically sought strategic advice (as opposed to general advice and/or information) had done so in order to better understand how to develop and grow the business or exploit a business opportunity (59%), and a minority had done so because they were concerned about the continued operation of the business or an obstacle encountered (17%).

Social enterprises were slightly, but not significantly, more likely than average to have sought strategic advice because they were concerned about the continued operation of the business or an obstacle encountered (20%).

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Table 8.2: Main reasons for seeking strategic advice

	All SME employers	Social enterprise employers
n=	830	136
	%	%
You were concerned about the continued operation of the business, or an obstacle encountered	17.2	19.8
You wanted to better understand how to develop and grow the business, or exploit a business opportunity	59.0	57.6
Because the information or advice was available, there was no pressing need	19.0	19.5
Neither of these / Don't know	4.8	3.1
	100	100

Base = all SME employers who had sought strategic advice in the last year

Figures in bold were statistically significant (at the 95% confidence level) against the figures for All SME employers not defined as social enterprises. K3a. Single answer only allowed at this question.

Training and development arranged for employees

A large proportion of SME employers had not arranged any training or development for their employees (42%). Of those who had, the most frequent answer was that they had arranged both formal and informal training for their employees (28%). SME employers were also more likely to have arranged off the job training (17%) than informal training (12%), and this trend was reflected by social enterprises (16% and 12% respectively).

Social enterprises were more likely than average to have arranged no training or development for their employees (48%) and were less likely than average to have arranged both formal and informal training (22%).

Table 8.3: Whether training and development arranged for employees

	All SME employers	Social enterprise employers
n=	2,147	352
	%	%
YES	57.5	50.6
Yes - off the job	17.3	16.4
Yes - informal on the job	11.8	12.0
Yes - both	28.3	22.3
NO	41.7	47.9

Base = all SME employers with at least one member of staff.

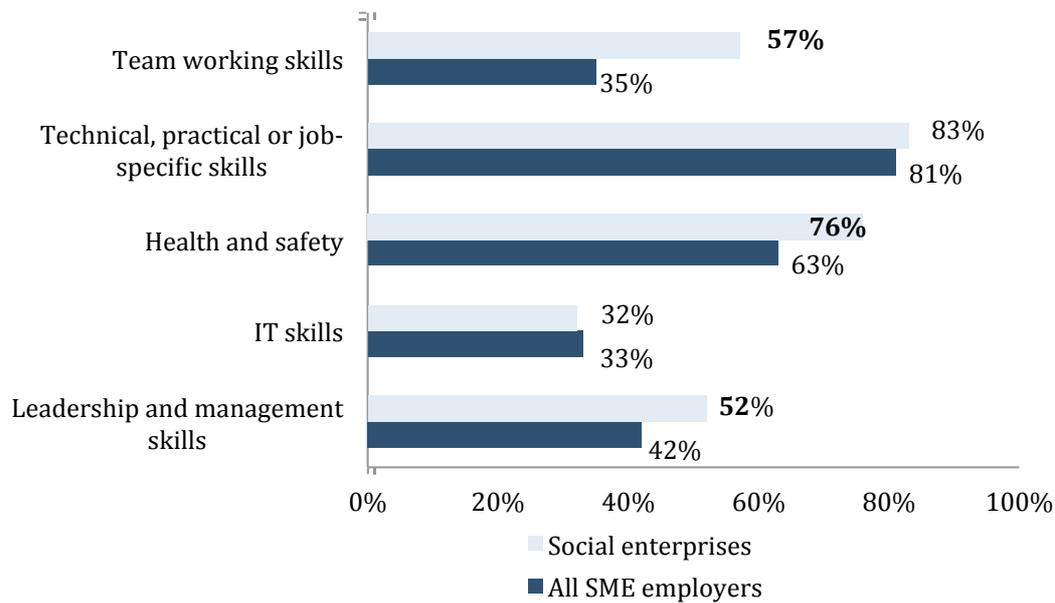
Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. N1. Single answers only allowed at this question.

In those SMEs that did arrange training and development, managers were most likely to have received training in technical, practical or job specific skills (81%), followed by health and safety (63%) and leadership and managerial skills (42%).

Managers of social enterprises were also most likely to have undertaken training in technical, practical or job specific skills (83%), followed by health and safety (76%). They were significantly more likely than SME employers to have received training in leadership and management and 22 percentage points more likely to have undertaken training in team working skills than the SME average (57% compared to 35% for SMEs).

Social Enterprise: Market Trends 2014

Figure 8A: The disciplines in which managers have received training in the last year



Base = all SME employers where managers have received training or development in the last twelve months.
n = 1146 (SME), 185 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. N5. Multiple answers allowed at this question.

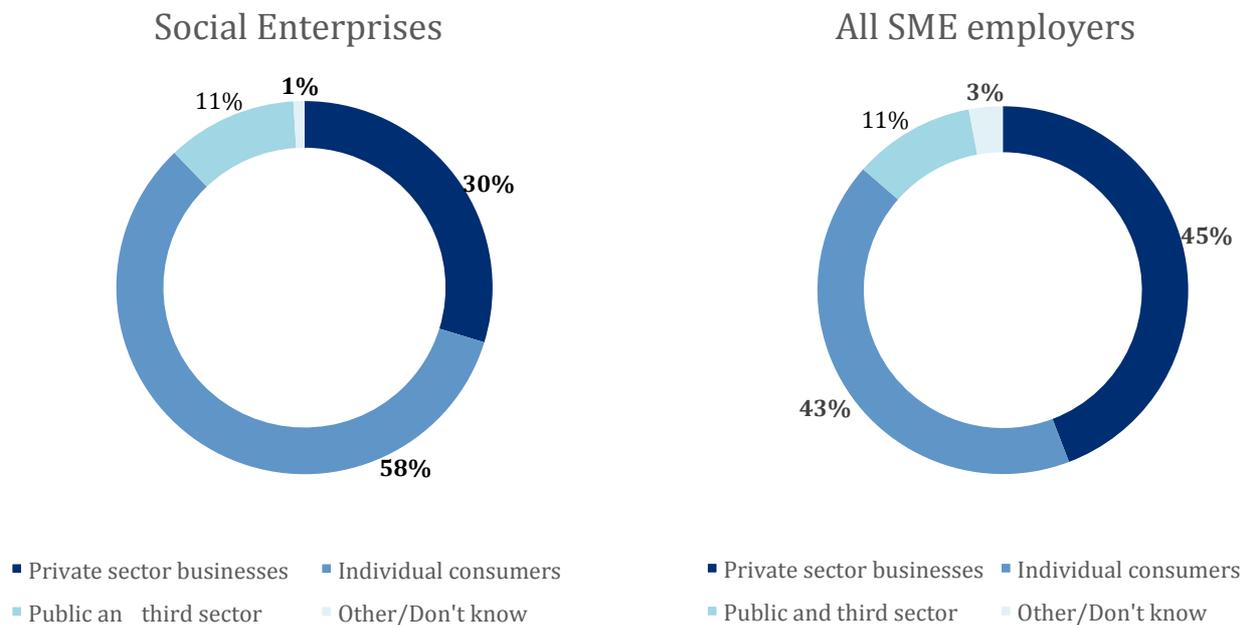
9. Types of customer

This section looks at the main types of customer for social enterprises as well as the proportion of social enterprises that have done work for the public sector over the past year.

Main type of customer

Compared to SME employers overall, social enterprises are significantly less likely to have private sector businesses as their main type of customer (30% vs. 45%) and significantly more likely to have individual consumers as their main type of customer (58% vs. 43%). This may be related to the sectors that social enterprises operate in. For instance as table 4.3 shows, social enterprises are significantly more likely to be the food and accommodation, health and education sectors and less likely to be in business services or manufacturing.

Figure 9A: Main type of customer



Base = all SME employers
 n= 4355 (SME), 707 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for All SME employers not defined as social enterprises L8. Single answer only allowed at this question.

Social Enterprise: Market Trends 2014

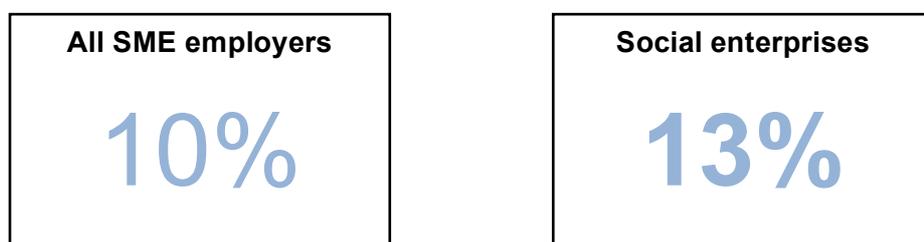
Whether business done for the public sector in the previous twelve months

In 2014 a slightly higher than average proportion of social enterprises had expressed an interest in and/or bid for public sector contracts in the past year (16% vs. 14%). In 2012 that difference between the social enterprises and all SMEs was broadly the same (18% vs. 15%).

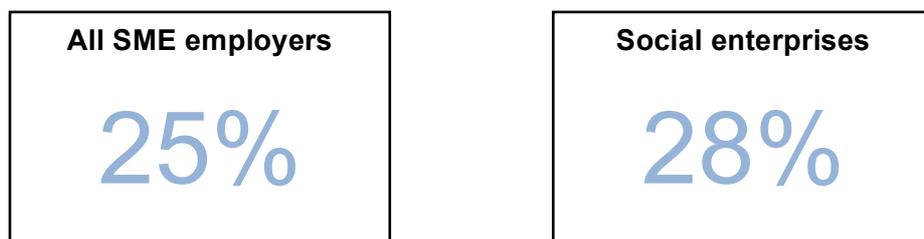
Although only 13% of social enterprises in 2014 had submitted a bid for a public sector contract in the previous year, a higher proportion than this (28%) had done business for the public sector in this period. This might be because of existing contracts, work that did not require contracts or because they worked as part of a supply chain.

Twenty-eight per cent of social enterprises had done work for the public sector in 2014, slightly but not significantly above the 25% of SME employers overall. These proportions were very similar in 2012. In 2012 breakdowns were also available for whether public sector work had been carried out as a prime contractor or supply chain only, but this breakdown was not available for 2014.

Proportion of businesses which...
...bid for a public sector contract in the past year:



...had actually done work for the public sector in the past year:



Base = all SME employers
n= 4,355 (SME), 707 (SE)

Figures in bold were statistically significant (at the 95% confidence level) against the figures for all SME employers not defined as social enterprises. Single answer only allowed at this question

Appendix A – Technical appendix

Comparisons with 2012 SBS data

As discussed in section 3, the definition of a social enterprise in the 2012 CO Social Enterprises: Market Trends report differs slightly from this report's definition. This change has been made to bring our definition closer to those used in the sector, in terms of enterprises generating the majority of income through trade.

Although the change in SMEs who qualify as social enterprises is small, the 2012 Market Trends report figures cannot be directly compared with the figures in this report. To enable a comparison of the characteristics of social enterprises in 2012 and 2014, analysis has been re-run on the 2012 SBS data using this report's definition. The 2012 figures quoted in this report can be compared directly with the 2014 figures, but will differ slightly from those quoted in the 2012 Market Trend report.

Sample Source

An important difference between the 2014 SBS and previous surveys was that, for the first time in 2014, the Inter Departmental Business Register (IDBR) was used as the sample source for employers, while the Dun & Bradstreet database was used as the sample source for businesses with no employees. In the past Dun & Bradstreet has been the sole source for all survey contacts. Use of the IDBR was recommended by the Office for National Statistics (ONS) in a review of SBS's methodology early in 2014, as this is generally considered to be the most up-to-date list of UK businesses.

Sample Weights

Survey findings have been weighted to the 2014 Business Population Estimates, published by BIS and based upon the IDBR with supplementary estimates from the LFS. For employers, a matrix of sector within size band within country was devised, and data weighted to this. For no employee businesses, a matrix of sector within legal status (companies vs. other) was devised.

Social Enterprise: Market Trends 2014

Questionnaire

A review of the 2012 questionnaire was undertaken through consultations with stakeholders before the 2014 survey. Some alterations were made based on these consultations. As a result, some of the content of the 2012 Market Trends report could not be updated for 2014.

Enterprises with and without employees.

Most of the findings presented relate to SME employers only (with the notable exceptions of estimates of the total size of the sector and employment). If all staff at an enterprise are: working owners or partners, agency or contract staff, or if they are self-employed, it is defined as an enterprise with no employees. Enterprises with no employees have for the most part been excluded from the dataset on which this report is based. This procedure is consistent with reporting of the 2012 Social Enterprises report, and all preceding Small Business Survey reports. The reason for excluding businesses with no employees is that, according to the Business Population Estimates, zero employee enterprises account for 75.7% of all UK SMEs with 0-249 employees, yet only 14.9% of interviews were with the zero employees. This means that high weighting factors are accrued by those with no employees when data is run on all SMEs, exaggerating their characteristics and behaviour. In a combined dataset of employers and zero employee enterprises, the zero employees would need an average weight of x 5.08 before other weighting factors (country and sector) are taken into account. The overall sample size for SME employers across the UK, excluding those enterprises without employees, is 4,355.

Statistical confidence

Unless stated otherwise, all findings for social enterprises reported in bold are statistically significant at the 95% confidence level. All 2012 figures presented for comparison are statistically significant unless stated otherwise. Results are usually reported as a comparison between social enterprises and the overall total. It should be noted that the comparison is between the sub-group – social enterprises - and the total minus that sub-group – SMEs that do not qualify as social enterprises. Tests of significance use an unweighted sample base, but test on weighted survey proportions in line with the methodology applied in the 2012 Social Enterprise report.

Although the survey provides generally robust findings for the SME population overall and for many sub-groups, the achieved samples for some groups, for example those that have sought finance during the previous year, are smaller. The data relating to these smaller groups needs to be considered with some caution.

Missing values

Unless otherwise stated percentages are calculated as a proportion of those who answered the question and do not include missing values. This is in keeping with the methodology of the 2012 Social Enterprise: Market Trends report. The number of observations for each question is recorded in the first row of all tables and beneath all charts. Percentages including missing values can be calculated by changing the denominator to the total number of survey respondents. This number is 4,335 SMEs and 707 social enterprises.

Appendix B - Results when applying the definition of social enterprise used by Department for Business Innovation and Skills

The Department for Business Innovation and Skills define a SME as a social enterprise if it meets the following criteria:

1. The enterprise must consider itself to be a social enterprise
2. It must not pay more than 50% of profit or surplus to owners or shareholders
3. It must not generate more than 25% of income from grants and donations (or, equivalently, it should generate at least 75% of income from trading)
4. It should think itself either 'a very good fit' with the following statement: 'A business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners'.

Results according to this definition are detailed below, with notable differences highlighted in Box 3-9.

Section 3

Box 3 - Key figures under the BIS Definition (compared to this report's definition):

5.4% of SME employers are classified as social enterprises (10% less)

274,000 social enterprises (467,000 less)

68,800 social enterprise employers (126,300 less)

985,600 employed by a UK social enterprise (1.5m less)

Section 4

Box 4 - Key differences under the BIS Definition

3% less are micro businesses (78% vs. 81%)

7% more are more than 20 years old (51% vs. 44%)

5% less are Private Limited Companies (52% vs. 57%)

Social Enterprise: Market Trends 2014

Equally as likely to operate in the 20% most deprived areas (19% vs. 21%)

BIS Table 4.1: employment size

	All SME employers	BIS Definition
n=	4,355	289
	%	%
Micro Businesses (1-9 employees)	82.2%	77.5%
Small Businesses (10-49 employees)	15.3%	19.4%
Medium-sized businesses (50-249 employees)	2.5%	3.1%

BIS Table 4.2: age of business

	All SME employers	BIS Definition
n=	4,355	289
	%	%
0 - 1 year	3%	6%
2 - 3 years	8%	7%
4 - 5 years	9%	12%
6 - 10 years	18%	11%
11 - 20 years	21%	13%
>20 years	39%	51%
Don't know	1%	0%

BIS Table 4.3 sector that business operates in

	All SME employers	BIS Definition
n=	4,355	289
	%	%
ABDE Primary	4.7%	5.9%
C Manufacturing	6.8%	4.7%
F Construction	11.7%	5.4%
G Retail/wholesale	18.9%	14.1%
H Transport	2.8%	2.7%
I Food/accommodation	9.9%	18.3%

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J Information/communications	5.4%	3.0%
KLM Business services	18.1%	5.4%
N Administrative services	8.0%	5.5%
P Education	1.4%	4.7%
Q Health	4.8%	11.6%
R Arts/leisure	1.9%	9.6%
S Other services	5.3%	8.8%

BIS Table 4.4 region of business

	All SME employers	BIS Definition
n=	4,355	289
	%	%
East of England	8.9%	11.6%
East Midlands	8.3%	7.0%
London	11.7%	6.7%
North East	3.0%	1.6%
North West	8.2%	7.0%
South East	16.8%	14.4%
South West	11.5%	16.6%
West Midlands	9.8%	13.3%
Yorkshire and the Humber	7.8%	10.3%
Scotland	7.3%	5.7%
Wales	4.2%	2.4%
Northern Ireland	2.6%	3.6%

BIS Table 4.5 areas of deprivation

	All SME employers	BIS Definition
n=	4,355	289
	%	%
Most deprived (1)	16.1%	19.4%
2	21.4%	22.8%
3	21.5%	18.5%

Social Enterprise: Market Trends 2014

4	23.5%	24.9%
Least deprived (5)	17.6%	14.4%

BIS Table 4.6 legal status

	All SME employers	BIS Definition
n=	2,913	194
	%	%
Sole proprietorship	13.5%	18.7%
Private limited company, limited by shar	66.1%	52.2%
Public Ltd Company (PLC)	0.6%	1.7%
Partnership	10.4%	5.1%
Limited liability partnership	1.7%	1.5%
Private company limited by guarantee	2.8%	6.1%
Community Interest Company (CIC, limited	0.4%	5.1%
Friendly Society	0.2%	1.3%
A Co-operative	0.1%	0.5%
Industrial and Provident Society	0.0%	0.1%
Private Unlimited Company	0.6%	2.3%
Foreign Company	0.2%	0.0%
A trust	1.3%	4.5%
An unincorporated association	0.4%	0.1%
Other	0.6%	0.1%
Don't know	1.1%	0.7%

BIS Table 4.7 Women-led businesses

	All SME employers	BIS Definition
n=	4,355	289
	%	%
Women led	17.9%	25.9%
Equally led	26.8%	13.7%
Minority women led	8.8%	15.2%
Entirely male led	45.5%	44.6%

Social Enterprise: Market Trends 2014

Don't know/refused	1.0%	0.6%
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BIS Table 4.8 MEG-led businesses

	All SME employers	BIS Definition
n=	4,355	289
	%	%
MEG-led	6.8%	6.1%
Not	93.2%	93.9%

Section 5

Box 5 - Key differences under the BIS Definition

9% fewer businesses generated a profit in the last financial year (75% vs. 66%)

4% more expected their turnover to fall over the next 12 months (28% vs. 32%)

BIS Table 5.1 number employees compared to one year ago

	All SME employers	BIS Definition
n=	4,313	284
	%	%
Less than one year ago	16.0%	13.6%
About the same	62.0%	66.6%
More than one year ago	21.7%	19.4%
Don't know	0.3%	0.3%

BIS Table 5.2 numbers expect to employ in one years time

	All SME employers	BIS Definition
n=	4,355	289
	%	%
More than currently	32.1%	35.1%
About the same	62.6%	57.4%
Fewer	4.4%	6.7%
Don't know	0.9%	0.8%

BIS Table 5.3 Turnover now compared to one year ago

	All SME employers	BIS Definition
n=	4,313	284

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	%	%
Increased	39.9%	36.9%
Decreased	17.6%	21.9%
Stayed the same	38.6%	39.1%
Don't know	2.6%	1.5%
Unwilling to answer	1.3%	0.6%

BIS Table 5.4 Expected turnover in one years time

	All SME employers	BIS Definition
n=	4,355	289
	%	%
More than now	51.3%	58.8%
Same as now	36.6%	28.3%
Less than now	7.8%	10.3%
Don't know/refused	4.3%	2.7%

BIS Table 5.5 Plans for closure or transfer of business in the next 5 years

	All SME employers	BIS Definition
n=	4,355	289
	%	%
Yes – anticipate closure	4.4%	6.1%
Yes – anticipate full transfer	11.7%	11.3%
Neither	77.7%	76.0%
Don't know	6.1%	6.6%

BIS Table 5.6 Plan to grow business over the next 2-3 years

	All SME employers	BIS Definition
n=	4,355	289
%	72.5%	72.4%

BIS Table 5.7 How plan to achieve growth

	All SME employers	BIS Definition
n=	3,362	220
	%	%
Increase skills of the workforce	81.0%	80.7%

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Increase turnover by exploiting new markets	67.8%	69.8%
Develop and launch new products/ services	58.0%	74.5%
Capital investment	54.2%	58.7%
Increase the leadership capability of managers	64.4%	69.0%

BIS Table 5.8 Proportion of businesses which introduced new or significantly improves products, services or processes

	All SME employers	BIS Definition
n=	2,150	138
	%	%
Products/Services	37.5%	53.6%
Processes	32.2%	38.8%

Section 6

Box 6 - Key differences under the BIS Definition

9% less enterprises considered themselves to be strong at accessing external finance

7% less had introduced new or significantly improved processes in the past 12 months (42% vs. 49%)

A similar proportion had introduced new or significantly improved products/services (55% vs. 55%)

7% less felt that red Tape or Taxation was an obstacle to the success of the business (52% vs. 59%) + (47% vs. 54%)

9% less felt that local economic conditions affected the business (65% vs. 74%)

BIS Table 6.1 Perception of whether the business is strong or poor at business activities

		All SME employers	BIS Definition
n=		4,355	289
People management	Strong	77.7%	76.9%
	Poor	3.4%	3.3%
Developing and implementing a business plan and strategy	Strong	60.5%	71.5%
	Poor	8.4%	5.9%
Entering new markets	Strong	27.6%	33.7%
	Poor	27.5%	22.9%

Social Enterprise: Market Trends 2014

Developing and introducing new products or services	Strong	44.2%	52.7%
	Poor	18.0%	14.2%
Accessing external finance	Strong	27.5%	22.0%
	Poor	30.1%	41.7%
Operational improvement, e.g. adopting industry best practice	Strong	61.2%	68.3%
	Poor	7.0%	7.0%
Taking decisions on regulation and tax issues	Strong	72.6%	73.1%
	Poor	5.4%	4.7%

BIS Table 6.2 Obstacles to the success of the business

	All SME employers	BIS Definition
n=	4,355	289
The economy	58.8%	65.7%
Taxation, VAT, PAYE, NI, rates	48.5%	47.0%
Competition	56.4%	56.4%
Regulations	48.8%	51.2%
Cash flow	41.7%	46.3%
Obtaining finance	28.0%	38.3%
Shortage of skills generally	30.9%	27.8%
Recruiting staff	32.7%	34.4%
Availability/cost of suitable premises	20.7%	28.6%
Pensions	21.8%	25.4%
Shortage of managerial skills/expertise	17.5%	17.1%
Late Payment	40.3%	41.2%
Not being able to increase prices/fees	51.9%	53.8%
Red Tape	54.2%	52.2%

BIS Table 6.3 Specific issues related to the economy that affect business

	All SME employers	BIS Definition
n=	592	53
Reduction in demand	64.4%	58.7%

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Pressure to reduce prices	52.3%	54.3%
Increased energy costs	59.9%	63.9%
Local economic conditions	65.3%	65.4%

Section 7

Box 7 - Key differences under the BIS Definition:

3% more have tried to obtain external finance

12% more applied for finance to improve buildings (23% vs. 11%)

9% less applied for finance to acquire capital equipment or vehicles

(9% vs. 18%)

7% more applied for finance to fund expansion (18% vs. 11%)

11% less sought finance from a bank overdraft (8% vs. 19%)

5% more sought finance from a bank loan (59% vs. 53%)

8% more obtained all the finance they applied for (72% vs. 64%)

7% less failed to obtain any finance on application

BIS Table 7.1 Whether sought finance in the last year

	All SME employers	BIS Definition
n=	4,355	289
Once only	12.9%	16.5%
More than once	6.6%	9.9%
No	78.9%	73.4%
Don't know	1.3%	0.3%
Refused	0.3%	0.0%

BIS Table 7.2 Main reasons for applying for finance

	All SME employers	BIS Definition
n=	1,074	77
Working capital, cashflow	38.5%	28.9%
Buying land or buildings	16.3%	17.3%

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Improving buildings	8.6%	23.3%
Acquiring capital equipment or vehicles	24.1%	8.8%
Research and development	3.2%	5.7%
Acquiring interlectual property	0.0%	0.0%
Protecting interlectual property	0.0%	0.0%
Training/staff development	1.5%	0.7%
Buying another business	0.6%	0.0%
Marketing	0.9%	0.2%
Debt consolidation	5.0%	7.2%
Moving premises	1.7%	0.0%
To fund expansion	5.9%	18.1%
To buy the current business/MBO	1.2%	0.7%
Refinancing	0.1%	0.0%
Other	1.7%	1.1%
Don't know	0.3%	0.0%
Unwilling to answer	0.3%	0.0%

BIS Table 7.3 Main types of finance sought

	All SME employers	BIS Definition
n=	1,074	77
Bank loan	47.7%	58.7%
Bank overdraft	20.9%	7.8%
Credit Card Finance	1.0%	0.1%
Crowd funding	0.6%	0.2%
Equity investment from business angel	0.8%	0.0%
Equity investment from venture capitalist	1.4%	0.0%
Equity investment from other shareholder	0.4%	0.2%
Asset financing	2.4%	0.2%
Grant	12.3%	22.4%
Leasing or hire purchase	9.0%	8.6%
Loan from a Community Development Finance Institution (CDFI)	0.4%	0.7%

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Loan from family/business partner/directors	0.4%	3.9%
Loan from peer to peer lending network/crowd funding	0.8%	0.0%
Mezzanine finance	0.0%	0.0%
Mortgage for property purchase or improvement	4.8%	2.3%
Other	12.7%	9.3%
Don't know	1.1%	2.6%
Unwilling to answer	0.2%	0.0%

BIS Table 7.4 Amounts of finance sought

	All SME employers	BIS Definition
n=	1,074	77
Less than £1,000	0.1%	0.0%
£1,000 to £4,999	5.9%	3.9%
£5,000 to £9,999	6.7%	4.9%
£10,000 to £24,999	21.6%	20.4%
£25,000 to £49,999	13.1%	9.9%
£50,000 to £99,999	13.9%	30.5%
£100,000 to £249,999	14.5%	17.2%
£250,000 to £499,999	4.7%	1.4%
£500,000 to £999,999	2.8%	0.2%
£1 million to £1,999,999	2.6%	2.8%
£2 million to £3,999,999	1.3%	2.7%
£4 million to £9,999,999	1.2%	0.4%
£10 million to £19,999,999	0.3%	0.0%
£20 million or more	0.3%	0.4%
Don't know	2.6%	3.1%
Unwilling to answer	8.1%	2.4%

BIS Table 7.5 Any difficulty obtaining finance from first source approached

	All SME employers	BIS Definition
n=	1,074	77
Yes, was unable to obtain any finance	29.7%	40.3%
Yes, obtained some but not all of the finance required	3.7%	0.7%

Social Enterprise: Market Trends 2014

Yes, obtained all the finance required but with some problems	6.1%	9.9%
No, had no difficulties in obtaining fin	57.9%	48.4%
Don't know	1.9%	0.6%
Unwilling to answer	0.8%	0.1%

BIS Table 7.6 Eventual outcome of application for finance

	All SME employers	BIS Definition
n=	1,074	77
Obtained all they needed from the first	64.0%	58.3%
Obtained all they needed from another so	7.3%	13.6%
Obtained some but not all	4.3%	3.0%
Obtained none	21.2%	24.3%
Don't know/ Still pending/ Refused	3.3%	0.7%

Section 8

Box 8- Key differences under the BIS Definition :

3% less sought information or advice in the last year (40% vs. 43%)

32% less sought advice from accountant (44% vs. 12%)

2% more provided some kind of training (53% vs. 51%)

Proportionately less provided informal training and more provided formal training (8% vs. 12%) (21% vs. 16%)

10% more of those who provided training have provided it in team work skills (68% vs.

BIS Table 8.1 Main source of information of advice

	All SME employers	BIS Definition
n=	1,556	123
Accountant	38.9%	12.2%
Bank	4.7%	4.1%
Business networks/trade associations	6.5%	9.0%
Consultant/general business adviser	8.7%	7.9%
Chamber of Commerce	1.5%	8.9%
Enterprise Agency	1.6%	0.1%

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(Specialist) financial adviser	1.2%	1.2%
Friend or family member	1.4%	1.0%
.GOV website	4.7%	3.6%
Internet search/Google/other websites	7.8%	8.1%
HMRC	2.9%	1.9%
Local Authority	2.4%	3.3%
Solicitor/lawyer	7.0%	3.6%
Work colleagues	2.1%	2.2%

BIS Table 8.2 Main reasons for seeking strategic advice

	All SME employers	BIS Definition
n=	830	59
You were concerned about the continued operation of the business, or an obstacle encountered	17.18%	25.3%
You wanted to better understand how to develop and grow the business, or exploit a business opportunity	58.98%	56.8%
Because the information or advice was available, there was no pressing need	18.98%	14.6%

BIS Table 8.3 Whether training and development arranged for employees

	All SME employers	BIS Definition
n=	2,147	136
Yes - off the job	17.3%	20.6%
Yes - informal on the job	11.8%	8.3%
Yes - both	28.3%	23.8%
No	41.7%	47.0%

BIS Table 8.4 The disciplines in which managers have sought training in the last year

	All SME employers	BIS Definition
n=	1,146	80
Leadership and management skills	41.6%	59.3%

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IT skills	33.0%	28.9%
Health and safety	62.6%	80.6%
Technical, practical or job-specific skills	80.8%	75.4%
Team working skills	35.4%	67.7%

Section 9

Box 9- Key differences under the BIS Definition

3% less have done work for the public sector in the past 12 months (25% vs. 28%)

4% less have listed Private sector businesses as their main customers (26% vs. 30%)

BIS Table 9.1 Main types of customer

	All SME employers	BIS Definition
n=	4,355	289
Private sector businesses	44.9%	25.9%
Individual consumers	43.3%	59.4%
Charities or third sector organisations	1.7%	2.4%
National Government	1.0%	1.5%
Local Government	3.0%	4.2%
National Health Service (NHS)	1.0%	0.8%
Other public sector	2.0%	5.0%
Other	2.0%	0.9%
None of these	1.0%	0.0%
Don't know	0.1%	0.0%

BIS Table 9.2 Whether done business for the public sector in the previous 12 months

	All SME employers	BIS Definition
n=	4,355	289
Yes	25.3%	25.3%
No	73.7%	74.7%
Don't know	0.9%	0.0%
Refused	0.0%	0.0%

This report, based on the [BIS Small Business Survey 2014](#), explores the social enterprise sector in greater depth and reports on the updated size and characteristics of the sector.
